February 1, 2005

TO: THE CHIEF EXECUTIVE OR MANAGING OFFICER OF EACH LOUISIANA STATE-CHARTERED BANK OR THRIFT

Since this is my first communication of the year with you, I would like to extend to you best wishes for a successful, healthy, and happy new year. As we do each year, we are sending out for your completion a questionnaire on what products and services your institution offers as well as an information sheet we will use to update our records. I thought this would also be a good opportunity to update you on what is going on at OFI and discuss briefly what my plans are for the new year.

On the depository side of our house, having been an examiner during the 1980s, I can positively attest that times are extremely good and most institutions are doing very well. The percentage of banks, thrifts, and credit unions that are rated 1 or 2 are 96 percent, 100 percent, and 82 percent, respectively. Well done! Included in this mailing is an update from Sid which covers some specific issues we have been dealing with this past year. If you have any questions concerning any of these issues, please give Sid, Doris or myself a call.

The conditions described above have allowed me to spend more of my time addressing issues in our non-depository and securities sections. The sheer number of entities and individuals we interact with in these programs are nearly overwhelming. I have spent a great deal of time getting to understand the deferred presentment business (payday lending) and why this industry has mushroomed over the last decade. Also, the fastest growing area of our office is the regulation of the mortgage lenders and brokers. This too was a new area for me that I devoted a lot of energy to this past year trying to understand what regulatory approach was necessary to address some of the abusive practices that are occurring. Lastly, with the passage of self-help this past session, OFI was charged with regulating “repo men.” This was an area that staff had no experience in (thankfully) and required a steep learning curve. However, I am very proud of the effort they put in to ensuring that we were ready to begin licensing agents by the January 1, 2005, date established by the legislature.

I thought I would also give you a brief overview of what my plans are for 2005. First, as of this writing, OFI is not planning on introducing any legislation this session. While something may come up that would require it, my goal is to avoid legislative issues this session and let the legislature deal with fiscal matters during a fiscal session. With respect to initiatives of this office, the number one initiative I plan on working on both in Baton Rouge and in Washington is the survival of the community charter. I plan on repeating this so often that I anticipate sounding like a broken record. With the ever increasing compliance load on small institutions, these institutions are too frequently making a decision to merge when management transitions occur.

However, with the rural nature of our state, the loss of an institution based in a small town can be devastating.

In looking for ways to address this issue, I am working on two fronts. First, I have asked Doris to establish a mandatory periodic review of each of our statutes, rules, and policies that affect the institutions we regulate. In reviewing a certain percentage of these statutes, rules and policies each year, we hopefully will be able to ensure that outdated provisions are either updated or removed. Secondly, through joint efforts with other commissioners around the country through our national organization, the Conference of State Bank Supervisors (CSBS), we are working with trade groups in Washington to introduce legislation aimed at both addressing regulatory burden and looking at certain tax issues that could be beneficial to community banking. Maybe an approach whereby the regulator and the regulated both discuss the risk to community banking that the current environment poses can be successful.

The second major thrust for me this year, and through the course of my term, will be financial literacy. While Louisiana has made some strides in this area, not nearly enough has been done. When individuals finish high school and still have no clue as to what it costs to live and to use credit, all of society bears that cost. Perhaps this is a contributing factor to my observation earlier regarding the explosion of payday lending in this state. There are many different programs already developed in this area. My efforts will be focused on how we can have these programs play a larger role in the high school curriculum.

In closing, best wishes for 2005 and I hope that the year will be good to both you and your institution.

Sincerely,

John Ducrest, CPA
Commissioner of Financial Institutions